

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 PM-05 H-02
INR-10 L-03 NSAE-00 PA-02 SP-02 SS-15 NSCE-00
SSO-00 USIE-00 INRE-00 AID-05 COME-00 EB-08
FRB-01 TRSE-00 XMB-04 OPIC-06 LAB-04 SIL-01
OMB-01 STR-07 CEA-01 /104 W
-----062386 170849Z /14

O R 160705Z FEB 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 718
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR
USDOCOSOUTH NAPLES
USMISSION GENEVA
USMISSION USNATO

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SUBJECT: ECEVIT GOVERNMENT INTRODUCES MEASURES TO REDUCE
FOREIGN EXCHANGE LEAKAGE

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SUMMARY: ON FEBRUARY 16 THE ECEVIT GOVERNMENT INTRODUCED
A SERIES OF MEASURES THAT WILL LIMIT SPENDING BY TURKISH TOURISTS
ABROAD, RESTRICT IMPORTS ON ACCEPTANCE CREDIT AND IMPORTS WITH
WAIVER, AND RESTRUCTURE THE CONVERTIBLE LIRA DEPOSIT SYSTEM.
THESE MEASURES ARE PRESUMABLY ONLY PART OF A COMPREHENSIVE
STABILIZATION PROGRAM THAT WILL BE MADE PUBLIC DURING THE
NEXT FEW WEEKS. END SUMMARY.

1. IN A SERIES OF NOTICES PUBLISHED IN THE OFFICIAL GAZETTE FEBRUARY 16, THE ECEVIT GOVERNMENT ESTABLISHED MEASURES DESIGNED TO RESTRICT THE OUTFLOW OF FOREIGN EXCHANGE.

2. ONE PACKAGE OF MEASURES, EFFECTIVE MARCH 1, RESTRICTS SPENDING BY TURKISH TOURISTS ABROAD BY RESTRICTING THE AMOUNT OF TRAVEL PERMITTED, BY TAXING FOREIGN EXCHANGE AND TRANSPORTATION FARES AT 50 PERCENT, AND BY ESTABLISHING UPPER AND LOWER LIMITS OF AUTHORIZED FOREIGN EXCHANGE. SPECIFIC MEASURES ARE AS FOLLOWS:

A) A TAX OF 50 PERCENT IS TO BE LEVIED ON FOREIGN EXCHANGE AUTHORIZED FOR FOREIGN TRAVEL AND ON TRANSPORTATION EXPENSES PAID IN TURKEY. EXCEPTIONS ARE MADE FOR PERSONS TRAVELING FOR MEDICAL TREATMENT AND THEIR COMPANIONS, STUDENTS, EXPORTERS AND MANUFACTURERS (WHOSE TRAVEL IS CONTROLLED BY OTHER REGULATIONS), TURKS PERMANENTLY EMPLOYED OR STATIONED ABROAD, AND SHIP AND AIRPLANE CREWS. THIS TAX WAS ESTABLISHED IN A LAW ADOPTED IN 1963. SUCCESSIVE BUDGET LAWS SINCE 1963 HAVE SUSPENDED COLLECTION OF THE TAX. THE ECEVIT GOVERNMENT HAS DECIDED THAT THE TAX WILL NOT BE SUSPENDED IN FISCAL YEAR 1978;

B) TOURIST TRAVEL WILL BE LIMITED TO ONE TRIP IN TWO YEARS;

C) TOURISTS MUST OBTAIN AT LEAST 300 DOLLARS BUT NO MORE THAN 500 DOLLARS. FOREIGN EXCHANGE QUOTAS FOR BUSINESS TRAVEL, WHICH ARE SUBJECT TO COMPLEX REGULATIONS ARE TO BE UNCLASSIFIED

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REDUCED BY 50 PERCENT;

D) NO FOREIGN EXCHANGE WILL BE ALLOCATED FOR A PERIOD OF TWO YEARS TO THOSE WHO LOSE THEIR PASSPORTS (FOREIGN TRAVEL ALLOCATIONS ARE RECORDED IN PASSPORTS.);

E) FOREIGNERS RESIDENT IN TURKEY WILL BE ALLOCATED 200 DOLLARS IN TOURIST FOREIGN EXCHANGE ONE TIME IN TWO CALENDAR YEARS;

F) TOURISTS PARTICIPATING IN GROUP TOURS MUST TAKE 200 DOLLARS IN FOREIGN EXCHANGE AND WILL NOT RECEIVE ANOTHER ALLOCATION FOR TOURISM WITH TWO YEARS;

G) TURKS WHOSE PASSPORTS ARE LIMITED TO TRAVEL TO CYPRUS WILL BE LIMITED TO ONE JOURNEY TO CYPRUS PER YEAR, AND MAY TAKE NO MORE THAN TEN THOUSAND TURKISH LIRAS. NO TOURIST FOREIGN EXCHANGE WILL BE ALLOCATED TO THESE PERSONS.

3. GOODS THAT MAY BE IMPORTED ON ACCEPTANCE CREDIT TERMS ARE NOW LIMITED TO PUBLIC SECTOR IMPORTS, FERTILIZERS AND INSECTICIDES, PETROLEUM PRODUCTS, MEDICINES, EXPORT INCENTIVE QUOTA IMPORTS AND SPARE PARTS FOR EQUIPMENT USED BY INDUSTRIALISTS. FURTHER, ACCEPTANCE CREDIT ON IMPORTS THAT HAVE NOT YET CLEARED CUSTOMS (AS OF DATE OF PUBLICATION OF NOTICE) MUST BE PAID AT THE EXCHANGE RATE

THAT IS CURRENT ON MATURITY OF CREDIT (180 DAYS).

4. IMPORTS WITH WAIVERS ARE RESTRICTED. THESE ARE IMPORTS PURCHASED BY TURKS WORKING OR TRAVELING ABROAD WITH FOREIGN CURRENCY HELD ABROAD.

5. THE CONVERTIBLE LIRA DEPOSIT (CLD) SYSTEM IS RESTRUCTURED SO AS TO REMOVE EXCHANGE RATE GUARANTEES FOR DEPOSITORS WHO ARE RESIDENTS OF TURKEY, AND TO REQUIRE THAT CLD'S MADE BY FOREIGN DEPOSITORS HAVE MATURITIES OF ONE YEAR OR LONGER. PRESS ACCOUNTS INDICATE THAT GOVERNMENT INTENDS TO LIMIT CLD'S TO EXISTING LEVEL AND TO GRADUALLY REDUCE THEM. REMOVAL OF EXCHANGE RATE GUARANTEE WILL INHIBIT NEW DEPOSITS BY TURKS, WHILE "ONE YEAR" CLAUSE WILL FORCE
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FOREIGN DEPOSITORS WHO ROLL-OVER CLD'S TO ACCEPT LONGER MATURITIES THAN IN THE PAST.

6. MEASURES DESCRIBED IN THIS TELEGRAM ARE PRESUMABLY ONLY THE FIRST PART OF A COMPREHENSIVE PROGRAM OF ECONOMIC STABILIZATION AND FOREIGN DEBT RESTRUCTURING. EMBASSY WILL REPORT MORE FULLY ON THESE MEASURES AS INFORMATION BECOMES AVAILABLE, AND WILL REPORT OTHER MEASURES WHEN THEY APPEAR.
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